

# **Independent Housing Ombudsman Limited Annual Report and Financial Statements 2012-13**

# **Independent Housing Ombudsman Limited**

## **Annual Report and Financial Statements 2012-13**

Presented to Parliament pursuant to Article 6(2) (b) of the Government Resources and Accounts Act 2000 (Audit of Non-profit-making Companies) Order 2009.

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**INDEPENDENT HOUSING  
OMBUDSMAN LIMITED  
(A company limited by guarantee  
not having a share capital)**

**Annual Report and Financial Statements  
31 March 2013**

## Contents

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	<b>Page</b>
Annual Report	1-7
Directors' Report	1-5
Remuneration Report	6-7
Corporate Governance Statement	8-11
Statement of Accounting Officer's Responsibilities	12
The Certificate and Report of the Comptroller and Auditor General	13-14
Statement of Comprehensive Income	15
Statement of Financial Position	16
Statement of Cash flows	17
Statement of Changes in Reserves	18
Notes to the Financial Statements	19-32

## **Annual Report - Directors and advisers**

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### **Independent Directors**

Nick Hardwick (Retired 31/03/2013)  
Maxine Frerk (Retired 31/03/2013)  
Susan Thomas (Deceased 05/09/2012)

### **Tenant Directors**

Terry Stacy  
Frank Chersky (Retired 31/03/2013)

### **Landlord Directors**

Andrew Greenhill (Retired 31/03/2013)  
Peter Robinson

### **Registered Office**

81 Aldwych  
London  
WC2B 4HN

### **Registered Number**

03290221

### **Statutory Auditor**

Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP



## **Annual Report - Directors' Report for the year ended 31 March 2013**

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The directors present their report together with audited financial statements for the year ended 31 March 2013. The Company was incorporated on 5 December 1996 and began administering an Independent Housing Ombudsman Service on 1 April 1997.

### **Principal Activity**

The Company administers the Independent Housing Ombudsman Scheme. The purpose of the Scheme is to investigate complaints against certain landlords by their tenants and others and to award compensation or other remedy when appropriate.

The company operates in accordance with a Scheme approved by the Secretary of State (currently Department for Communities and Local Government (DCLG)) under the terms of the Housing Act 1996. The Scheme applies to social landlords registered, regulated or operating in England, as well as to other landlords and managing agents who join voluntarily.

We have an on-going working relationship with the DCLG on setting the appropriate levels of additional reporting and new governance structures which are consistent with the obligations of the Company to be accountable to DCLG, in compliance with company law and protecting the independence of the Ombudsman and the Company, whilst recognising that the Company does not require or receive any grant-in-aid. The Company continues to receive all of its funding from registered social landlords through compulsory subscriptions and from private sector landlords and managing agents who join the Scheme on a voluntary basis. However for 2013-14 the Corporation Sole will receive grant in aid of £839,000 to part fund additional costs as a result of its responsibility for dealing with complaints from Local Authority tenants.

### **Directors**

Details of directors are set out on pages 3 to 5.

### **Operational and Financial Review and progress against key performance indicators**

At 31 March 2013, 2,123 landlords (2,109 in 2012) were in membership, representing 2,900,900 (2,874,470 in 2012) housing units, an increase of 0.9%. 2,036 were registered providers (RP's), representing 2,800,969 housing units. A further 87 were private landlords or managing agents representing 99,931 housing units, who had joined voluntarily. It is anticipated that the number of RP units in membership will continue to increase in the coming year. In addition, the company actively encourages membership of the Scheme to landlords and managing agents in the private rented sector who are not under a statutory obligation to join. As from April 2013 Local Authorities will also be included into the Scheme, bringing up approximately an additional 2.1 million units (including leaseholds).

The casework management system software (HOSCA) became operational in July 2008 and supports the dispute resolution process and has been further developed in each subsequent year. We are able to report in detail on an on-going basis on the work we have undertaken. We can better measure performance at different stages of the dispute resolution process and understand performance against targets so as to allow us to improve on delivery. In conjunction with HOSCA we also have an activity-based costing system that allows us to identify functions and costs in detail, which aids our business planning and achievement of value added.

During the year the Service responded to 3,657 enquiries (2012: 3,166), investigated 6,391 complaints (2012: 5,884) and issued 543 final determination decisions following formal intervention (2012: 501). In the year, 98% of cases were evaluated within our target of fifteen working days (2012: 99%) and 100% of final determination decisions were issued within our revised 43 week target (2012:100%). The average time taken to issue a final determination decision was 23 weeks (2012:17 weeks).

The surplus for the year after taxation and adoption of IAS 19 Employee Benefits was £566,087 (2012: deficit of £310,808). This result was after incorporating the Company's revised estimate of the pension scheme deficit into the accounts. After including the net pension deficit, the accumulated assets carried forward total £712,327 (2012: £146,240). The technical accounting adjustments required by IAS19 relating to its pension fund liabilities, that do not fall due in the short- term. Changes in pension fund liabilities are liable to fluctuation year-on-year, dependent on economic circumstances and investment performance.

The Board has set the level of subscriptions by reference to its budgeted cash requirements, including a prudent provision for contingencies. This includes the need to meet higher pension contribution rates in the future and to support increased expenditure as from 2013-14, due to the Ombudsman's extended remit. At 31 March 2013 the net current assets of the Company amounted to £2,332,512 (2012: Assets of £2,628,317). This takes account of cash, and debtors less amounts falling due for payment within one year.



## Annual Report - Directors' Report for the year ended 31 March 2013

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In the financial year the Company increased its dedicated reserve in regard to its pension fund liabilities and transferred £150,000 from its general fund as part of its review of the pension deficit funding strategy. In the event that the sponsor department (DCLG) introduced legislation which effectively caused IHOL to be wound up, or if the Scheme's approval were to be withdrawn and another body approved under the Housing Act 1996, the sponsor department would be obliged to put in place arrangements to ensure the orderly winding up of IHOL. In particular, it would ensure that the assets and liabilities of IHOL were formally transferred to any successor organisation and accounted for in accordance with Managing Public Money requirements. In the event of there being no successor organisation, the assets and liabilities would be transferred to the sponsor, as detailed in the Framework Document agreed by DCLG and the Company. The triennial actuarial valuation was last undertaken as at 31 March 2010 and the results of that formal review, which represents the position at 31 March 2010, are reflected in these financial statements. The triennial valuation as at 31 March 2013 will not be completed in time to influence the financial statements for 31 March 2013.

As from 2 April 2013 the company transferred its assets and liabilities to the Housing Ombudsman, a corporation sole established by commencement order (2013 no.711 (C.33)). For 2013-14 the corporation sole will recover grant in aid of £839,000 as a result of its responsibility for dealing with complaints from Local Authority tenants. A formal appointment of the Housing Ombudsman under the new governance arrangements is expected to be made shortly.

The Company has an environmental working group made up of employees across the organisation. It meets to find ways to be more environmentally efficient and provide value for money, taking into account guidance provided by DCLG and best practice. Reports are produced in regard to energy consumption, recycling and paper usage. In accordance with its Business Plan, Mission, and Vision, the Company supports working with stakeholders not only to shape and improve the Service but also to share lessons learnt with the sector to contribute to improved provider service delivery and good practice.

IHOL does not follow any code or standard on payment practice as it is the Company's policy to settle creditors promptly on mutually agreed terms. The terms will vary from supplier to supplier and all suppliers will be paid within 30 days of receipt of an invoice. Suppliers are aware of the terms of payment. The number of day's worth of purchases in trade payables at the end of the financial year was 11.

IHOL is exempt from sustainability reporting requirements as it does not meet the *de minimis* thresholds regarding size and employee numbers.

During the year employee sickness levels were recorded as 2% in respect of short-term absence and there were no long-term absences.

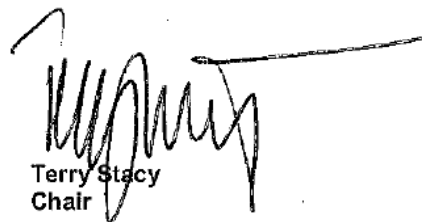
Approved by the Board on 20 June 2013

Signed on behalf of the Board



Dr Mike Biles  
Ombudsman (Accounting Officer)

Date 28 JUNE 2013



Terry Stacy  
Chair

Date 28 June 2013

## Annual Report - Directors' Report for the year ended 31 March 2013

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### DIRECTORS

Directors during the period were as follows:

### INDEPENDENT DIRECTORS

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Maxine Frerk	<i>Deputy Programme Director for Smart Meters at DECC</i>	Appointed 05/12/07 Retired 31/03/13
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Maxine Frerk is Deputy Programme Director for Smart Meters at DECC. Prior to joining DECC she was Director of Governance and Consumer and Social Affairs at Ofgem. In that role she was responsible for establishing and approving the arrangements for an ombudsman in the energy sector. Previously to that Maxine also worked as Head of Regulation at BT where, among other things, she was BT's representative on the industry group which established the original ombudsman scheme in telecoms. Maxine chairs the IHOL Audit and Risk Committee. Maxine will serve the Corporation Sole as a member of its Audit and Risk Committee in 2013-14.

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Nick Hardwick CBE (Former Chair)	<i>Her Majesty's Chief Inspector of Prisons</i>	Appointed 12/02/10 Retired 31/03/13
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Nick Hardwick was appointed as Her Majesty's Chief inspector of Prisons from July 2010. He was the first Chair of the Independent Police Complaints Commission from 2003 to 2010. His earlier career was in the voluntary sector. From 1986 to 1995 he worked as Chief Executive of Centrepoint – a charity and housing association for young homeless people. Nick was also the Chief Executive of the Refugee Council from 1995 to 2003. He is currently a trustee of New Horizon Youth Centre. Nick has a BA (Hons) from Hull University in English Literature and Honorary Doctorates from the University of Wolverhampton and the University of Hull. He was awarded a CBE in 2010.

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Susan Thomas	<i>Management Consultant</i>	Appointed 05/12/06 Deceased 05/09/12
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Susan Thomas' management consultancy worked with senior leaders in the areas of organisation development and change and leadership development. She held executive Board positions in all 3 tiers of government, and was for 6 years Director General, Corporate Services and Development, at the Department for Education and Skills, where she was Director of HR. She served on several national and local government bodies and committees, including Government Skills (Sector Skills Council), and the Department of Health Committee of Inquiry into recruitment in residential care. She was also a Non Executive Board member of St. George's University of London. Susan chaired the IHOL HR Committee.

## Annual Report - Directors' Report for the year ended 31 March 2013

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### TENANT DIRECTORS

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Frank Chersky	<i>London &amp; Quadrant Housing Association</i>	Appointed 05/12/09 Retired 31/03/13
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Frank is a tenant of London & Quadrant (L&Q), the largest Housing Association in London & the South East. He was appointed to the L&Q Group Board in 2007, is a member of the Audit & Risk Committee and Chair of L&Q's Resident Board. He was a Board member of the Ujima Foundation for a number of years, which addressed the barriers to inclusion faced by diverse communities.

Frank was the founding Chair of Green Horizons Community Board, fronting a major regeneration scheme in Edmonton, North London. Green Horizons has won a number of national awards including the Homes & Communities Agency Academy Award for 'Leadership of Place'. The HCA judges highlighted the creation of the Community Board as a particularly successful outcome and for the way it worked as the delivery vehicle for the project. Frank will serve the Corporation Sole as a member of its Audit and Risk Committee in 2013-14.

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Terry Stacy JP MBE (Current Chair)	<i>Circle 33 Housing Trust</i>	Appointed 05/12/07
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Terry has been a councillor for over 15 years, and is the former leader of Islington Council. He is an adviser for the London Councils, the trade body of London local authorities. Terry is also a former member of the London Housing Board which is chaired by the Mayor of London, Boris Johnson.

He has been involved in the housing and public sector for over 20 years. He was Chair of Old Ford Housing Association. A board member of the circle Anglia Group, Chair of Island Homes which is part of the One housing Group. A Director of the Empty Homes Agency as well as a Tenant Inspection Adviser to the Audit Commission. Terry is also Chair of the Albert Kennedy Trust, a LGBT youth homeless charity. He was awarded an MBE for services to housing in 2012.

Before entering politics Terry held a number of senior housing posts in the housing association and local government sectors, including a London based regeneration consultancy, where he headed up over £25 million worth of funding across a number of boroughs in the capital.

## Annual Report - Directors' Report for the year ended 31 March 2013

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### LANDLORD DIRECTORS

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Andrew Greenhill	<i>CEO, QHS</i>	Appointed 22/09/11 Retired 31/03/13
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Andrew Greenhill is currently Chairman of Villages Housing Association and a non-executive director of Villages Community Housing Association. He is also the CEO at QHS where he operates as Company Secretary and has a long history of working in both the social housing sector and of regulated independent service organisations. Andrew is a CIMA qualified accountant and also an associate member of the CIH. Andrew will serve the Corporation Sole as a member of its Audit and Risk Committee in 2013-14.

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Peter Robinson	<i>Committee Member, Swan Housing Group</i>	Appointed 09/02/09
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Peter is Independent Chair of the Service Improvement Committee at Swan Housing Group in a consultancy capacity. After a long career in local government, including responsibility for the housing service in the London Borough of Greenwich, he set up a housing consultancy, PRHC, in 1990, advising over sixty housing sector clients at strategic and business planning levels as well as on operational and service delivery matters. He holds the professional qualification of the Chartered Institute of Housing (CIH) and has previously been a statutory appointee to the Board of the Amicus Horizon Housing Group as well as holding various Board positions and chairing subsidiaries of the L & Q Housing Group.

## **Annual Report - Remuneration Report for the year ended 31 March 2013 in accordance with part 3 of schedule 8 of statutory instrument 2008, number 410**

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The Independent Housing Ombudsman Limited (IHOL) does not have a remuneration committee. However the HR Committee assumes such a role within its responsibilities. Remuneration is linked to the annual staff cost of living award and is reviewed independently as appropriate. There are no performance conditions related to remuneration. Senior Managers are members of staff and have an annual appraisal and any progression is based on merit.

Non executive directors are appointed for an initial term of no more than three years and then appointment is renewable for another period of the same length, the maximum service being two terms. No notice period is required. All senior managers are permanent employees with three-month notice periods. The Ombudsman's notice period is also three months. No significant awards were made to any director. No element of remuneration is non-cash. Information in regard to salary and fees paid to each director is detailed in tabular form on page 7. Quarterly invoices totalling £12,579 were received from the New Horizon Youth Centre for services rendered by Nick Hardwick paid in the financial year. Please refer to note 2 in the table on page 7.

With regard to pension benefits, these are also detailed in the table on page 7. There were no contributions to a money purchase scheme. No compensation was paid to any former director.

# Annual Report - Remuneration Report for the year ended 31 March 2013 in accordance with part 3 of schedule 8 of statutory instrument 2008, number 410

## Remuneration Report (subject to audit)

	Salaries and fees				Pension benefits			Diff between the two transfer values, less any employee contribs	
	No tes	Salary and fees	Totals 2013	Totals 2012	Accrued benefits during the year	Accrued benefits at end of year	Transfer value of accrued benefits at start of year		Transfer value of accrued benefits at end of year
		In bands of £5,000	In bands of £5,000	In bands of £5,000	In bands of £2,500	In bands of £2,500	In bands of £1,000		In bands of £1,000
<b>Non Executive Directors</b>									
	1								
Nick Hardwick (Chair)	2	10,000 – 14,999	10,000 – 14,999	10,000 – 14,999	-	-	-	-	-
Frank Chersky		0 – 4,999	0 – 4,999	0 – 4,999	-	-	-	-	-
Brian Cronin		0 – 4,999	0 – 4,999	0 – 4,999	-	-	-	-	-
Maxine Frerk		0 – 4,999	0 – 4,999	0 – 4,999	-	-	-	-	-
Andrew Greenhill		0 – 4,999	0 – 4,999	0 – 4,999	-	-	-	-	-
Peter Robinson		0 – 4,999	0 – 4,999	0 – 4,999	-	-	-	-	-
Terry Stacy		0 – 4,999	0 – 4,999	0 – 4,999	-	-	-	-	-
Susan Thomas		0 – 4,999	0 – 4,999	0 – 4,999	-	-	-	-	-
<b>Senior Managers</b>									
Dr Mike Biles (Ombudsman)		125,000 – 129,999	125,000 – 129,999	125,000 – 129,999	(0 – 2,499)	210,000– 212,499	1,280,000– 1,280,999	1,353,000– 1,353,999	9,000– 9,999
Helen Megarry (Director of Casework)		80,000 – 84,999	80,000 – 84,999	80,000 – 84,999	0 – 2,499	45,000– 47,500	227,000– 227,999	244,000– 244,999	6,000– 6,999
Rafael Runco (Deputy Ombudsman)	3	195,000 – 199,999	195,000 – 199,999	80,000 – 84,999	(0 – 2,499)	87,500– 89,999	425,000– 425,999	447,000– 447,999	4,000– 4,999
Martin Colwell (Company Secretary)		75,000 – 79,999	75,000 – 79,999	75,000 – 79,999	0 – 2,499	10,000– 12,500	82,000– 82,999	99,000– 99,999	5,000– 5,999
Paul Neville (Head of People and Development)		60,000 – 64,999	60,000 – 64,999	60,000 – 64,999	0 – 2,499	10,000– 12,500	62,000– 62,999	74,000– 74,999	4,000– 4,999
Band of highest paid director's total remuneration (£)			195,000 – 199,999						
Median remuneration of staff (£)			41,640						
Ratio between median remuneration and mid point of banded remuneration of highest paid director		2013		2012					
		4.7:1		3:1					

### Notes

- The columns in regard to Allowances, Bonuses, Compensation and Non-cash benefits have been deleted, as no relevant payments were made in year.
- Fees payable of £12,579 in regard to Directors entitlements were paid to New Horizon Youth Centre on submission of quarterly invoices.
- Following reorganisation related to transition to our extended remit and internal reorganisation of the organisation, became redundant with effect from 31/12/12. Salary payments of £63,827 and a redundancy payment of £132,502 were made during the year.

The above information is audited by the Comptroller & Auditor General

## Corporate Governance Statement

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As Accounting Officer of the Independent Housing Ombudsman Limited (IHOL) I am responsible for the management and control of the resources used in this organisation. To ensure that I meet my responsibilities I am supported by the Board and by my colleagues within IHOL. We have developed and implemented an effective risk management framework that deals with the risks and opportunities the organisation faces. By developing an understanding of our appetite for risk we are able to respond to evolving, perceived risks. This Governance Statement is based upon challenges, events, and activity during the financial year and provides assurance in regard to performance and consideration of the organisation's risk profile, its responses to identified and emerging risks, and its success in dealing with them.

This governance statement relies on contributions from the Board and my colleagues, which include:

- The Board's review of its own processes and performance informed by the views of its Audit and Risk Committee in regard to seeking assurance;
- Insight into the organisation's performance from both internal and external audit, including an internal audit opinion on the quality of the systems relating to governance, risk management, and internal control; and
- Input from my colleagues and from key stakeholders about our outcomes-focused performance, our use of resources and provision of value for money, our responses to risks, our management of our budget, and how we meet our targets and objectives.

### The governance framework of the organisation

The Board met on a quarterly basis. The Board also had an Audit and Risk Committee that met four times in the year, a Resources Committee and an HR Committee that met as required. Matters relating to the Board and its Committees could also be dealt with out of committee *via* email or by telephone. During the year the Board and its Committees have been involved in taking forward the business plan of the organisation and the transition project plan. The latter was designed to deliver my extended remit over the whole of social housing with effect from 1 April 2013. This resulted in significant changes to governance, operation, and resources. The transition project had a number of strategic work-streams that involved a considerable amount of work from within the organisation. The Board advised and supported me and my colleagues in taking this forward. It has been very time-consuming and has required significant planning and resource re-alignment to achieve successful completion so that we delivered what the Secretary of State and the Localism Act that obtained Royal Assent in 2011 requires of the single Housing Ombudsman. The Board and I have worked closely with our sponsoring department, DCLG, to take this forward in a professional and pro-active manner.

This strategic realignment will ensure that the resources of the Service are directed at early dispute resolution and local solutions. Internal structures have been re-shaped and resources re-allocated. Job roles and key result area profiles have been re-evaluated, re-designed, and market-tested to inform a new pay structure. In consequence, some posts were made redundant and resources were released to enable recruitment to the new job roles.

We undertook a complete review of policy and jurisdiction which enabled us to draft a new Scheme that was approved by the Secretary of State as required by the Housing Act 1996. The Scheme sets out the Ombudsman's jurisdiction, powers, and duties. We drafted it to make special provision to ensure support for the spirit and intention of the Localism Act and it recognises, particularly, the new role under the Act for designated persons (MPs, councillors, and designated tenant panels).

We have completely re-engineered our core dispute resolution process. We have developed dispute resolution principles to help and support not only my staff but also providers, residents, and designated persons. The business plan for 2013-14 contains actions and milestones to ensure that these principles will be further supported by dispute resolution learning media principally through the new website that was totally re-structured and up-dated under another of the work streams in the transition plan.

The development and implementation of new information management systems and a new stakeholder strategy and communications plan are also set as objectives in the business plan for 2013-14. A protocol with the Local Government Ombudsmen has already been agreed and can be found on the Service's website.

In accordance with the requirement in the Localism Act we have set up a register of designated tenant panels. The Act requires providers to inform the Ombudsman when they recognise such panels for the purpose of the Act.

In accordance with his power under the Housing Act 1996, Schedule 2, paragraph 10, the Secretary of State made an order (the Housing Ombudsman (Corporation Sole) Order 2013) creating a corporation sole ("Housing Ombudsman") to administer the Housing Ombudsman Scheme from 1 April 2013. A Transfer of Undertakings was drawn up separately by the company's lawyers to vest all rights and liabilities of the corporate body (IHOL) in the corporation sole. Employees of IHOL were transferred to the corporation sole under TUPE arrangements and the lease of the office premises was assigned to the corporation sole under a separate deed.

Contracts with existing suppliers were transferred under novations. Four non-executive directors of IHOL resigned at the Board meeting on 25 March 2013. Two non-executive directors remained on the Board of IHOL together with two

## Corporate Governance Statement

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members of the executive team. IHOL has no assets but remains registered at Companies House until it is wound up in 2014 as soon possible after the accounts for 2013-14 have been approved at the annual general meeting.

The company's membership of the LGPS pension scheme as an admitted body was transferred to the corporation sole and DCLG have formally guaranteed any future liabilities.

### Corporate governance

The organisation has adopted the practices set out in the Code of Good Practice 2011 wherever it is practical, proportionate, and relevant to our business needs. Corporate leadership is undertaken by me as Ombudsman and Accounting Officer and the Executive Team in conjunction with the Board, drawing on their expertise and experience derived from involvement in other types of organisations. This input provides a collective strategic and operational leadership.

The organisation has in place appropriate policies and procedures for financial regulation, procurement and data-handling. The internal audit function has been undertaken by DCLG IAS on our behalf. The Head of Internal Audit has no significant audit issues to recommend to me to include in this statement and has provided substantial assurance in regards to internal controls and risk management. They undertake significant review of the internal controls we have in place. The Audit and Risk Committee seeks assurance not only from the Executive Team but also from the auditors on a regular basis. It also provides assurance to me as Accounting Officer.

Membership of the Board reflected three defined constituencies; independents, tenants, and landlords. The Board operates in accordance with the Corporate Governance Code's recognised precepts of good practice:

- Leadership – by articulating a clear vision for the organisation with clarity about how activity contributes to achieving our vision, including setting our risk appetite and in managing risk effectively;
- Effectiveness – by bringing a wide range of relevant experience and knowledge to bear, including through offering rigorous challenge and scrutinising performance;
- Accountability – promoting transparency through clear and fair reporting and;
- Sustainability – taking a long-term view about taking forward the organisation to meet our purpose and remit and what we need to do to get there.

The Board also advised on delivering our vision and mission and ensuring that activities contributed towards long-term capability and horizon-scanning, and ensuring that strategic decisions were based on a collective understanding of relevant issues. It advised on significant projects, ensured sound financial management, and that resources were adequate to meet the organisation's needs. Members of the Board were well aware of and upheld the seven principles of public life (the "Nolan principles"). Board members assumed responsibility for providing governance oversight to support me as Accounting Officer and also recognised the Corporate Governance Code as providing a framework designed to facilitate good decision-making.

So that the Board was effective in discharging its responsibilities it:

- agreed formal procedures for the appointment of new Board members, tenure and succession planning for both Board members and senior managers;
- allowed sufficient time for it to discharge its collective responsibilities effectively;
- organised induction on joining the Board, supplemented by appropriate information to keep Board members' knowledge up-to-date;
- ensured timely provision of information in a form and of a quality that enabled the Board to discharge its duties effectively;
- benefited from a dedicated support function with appropriate skills and experience.



## Corporate Governance Statement

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The attendance record of individual Board members for the year ended 31 March 2013 is detailed below and covers meetings of the Board and its committees.

<b>Name of Board Member</b>	<b>Board meetings attended (5 in total)</b>	<b>Audit and Risk Committee meetings attended (4 in total)</b>	<b>HR Committee meetings attended (1 in total)</b>	<b>Resources Committee meetings attended (did not formally meet)</b>
Nick Hardwick (Chair)	5	-	-	-
Frank Chersky	5	4	-	-
Maxine Frerk	5	4	1	-
Andrew Greenhill	5	4	-	-
Peter Robinson	5	-	-	-
Terry Stacy	5	-	1	-
Susan Thomas	-	-	-	-

The Board supports me as Accounting Officer in the discharge of my obligations that are set out in Managing Public Money for the proper conduct of business and maintenance of ethical standards.

### Board performance

The Board had in place a process for appraising on an annual basis its performance as a collective and in working with the Executive Team. It assessed its performance on an annual basis. This was also undertaken as a process on an on-going basis by the Board in considering the value it added.

Annual individual appraisals of Board members were undertaken based upon the following criteria:

- the individual's understanding of the objectives of the Board and organisation;
- the quality and level of their input to discussion at both Board and Committee meetings where relevant;
- their interaction with Board colleagues;
- the conduct of their relationship with me and members of the Executive Team and;
- the value the individual added to the Board as a team.

The Audit and Risk Committee undertook work in the financial year that enabled:

- the Board and Executive Team to agree relevant assumptions applicable to its calculation on pensions assets and liabilities in accordance with IAS19;
- a more detailed understanding of appetite for risk and how that might be applied to strategic thinking and business planning, by expanding on its understanding of likelihood and consequence and development of risk matrices for scoring risks;
- a detailed business continuity and disaster recovery strategy and plan that allow us to continue to maintain normal working if we cannot access our office premises or be unable to access London for any reason. It also provides significant resilience in regard to functionality of our ICT infrastructure in the event of a power loss or an external cyber attack;
- the organisation to have an understanding of how value for money can be identified, its relationship to value added and how it can be built into policies and processes throughout the organisation;
- further development of our resilience to counter fraud and its reporting to the Board on how instances of potential fraud have been averted; and
- delivery of a revised health and safety policy and manual and delivery of best practice within the organisation.

## Corporate Governance Statement

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### Risk Assessment

As Accounting Officer, I rely on the Board, the Audit and Risk Committee, and our auditors to advise me on key risks and effective risk management. The key risks for the organisation in year related to ongoing delivery of my extended remit as the single Ombudsman for Housing and the requirements of the Localism Act that relate to it. The organisation had a detailed transition project that has delivered the significant challenges of my extended remit. I liaised closely with the Board, our sponsoring Department, DCLG, and with other stakeholders within the sector to ensure delivery was effective and timely. The Board and I assessed the relevant strategic risks of the organisation and were content with the risk management and internal control systems in place and that they are effective.

The key strategic risks in year were as follows. Action taken to mitigate those risks is also detailed below:

- Failure to implement a service in April 2013 that delivered the extended role of the Housing Ombudsman – this was mitigated by having in place a transition project team that worked closely with DCLG and key stakeholders; continuous strategic review and by using flexible business planning;
- Unknown demand for the service post April 2013 – this was mitigated by monitoring current casework volumes; analysing LGO data available; communicating and engaging with, and influencing, key stakeholders as well as undertaking resource planning and effective recruitment campaigns;
- Government directives and restrictions preventing delivery of the business plan – this was mitigated by liaising with DCLG to find effective solutions, regular Board review, executive team actions, and by the Board and me, as Accounting Officer, being clear on our respective roles.

There were no instances of personal-data-related incidents in year.

There were no lapses of data security requirements in year and no significant control issues arose.

The terms of reference of the Audit and Risk Committee were published on our website.

In my opinion the strength of governance within the Company is high relative to its size.



**Dr Mike Biles**  
**Accounting Officer**  
28 June 2013

## Statement of Accounting Officer's Responsibilities

---

The Secretary of State of the Department of Communities and Local Government (DCLG) has directed The Independent Housing Ombudsman Limited to prepare for each financial year a statement of accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Independent Housing Ombudsman Limited and of its deficit, financial position, changes in reserves and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going-concern basis.

The DCLG's Principal Accounting Officer has appointed Dr Mike Biles, the Ombudsman, as Accounting Officer of the Independent Housing Ombudsman Limited. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding The Independent Housing Ombudsman Limited's assets, are set out in the Articles of the company and its financial regulations and the Framework Document agreed with the DCLG.

### Statement of Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditor

The Companies Act 2006 enables the Comptroller and Auditor General (C&AG), to undertake the audit of Limited Companies. Under the terms of the Government Resources and Accounts Act 2000, the C&AG became responsible for the Company's annual audit commencing in the financial year 2009-10.

Insofar as the directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The maintenance and integrity of the Ombudsman's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE INDEPENDENT HOUSING OMBUDSMAN LIMITED

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I certify that I have audited the financial statements of the Independent Housing Ombudsman Limited for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on Financial Statements**

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE MEMBERS OF THE INDEPENDENT HOUSING OMBUDSMAN LIMITED

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**

**Date**    **2 July 2013**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Statement of Comprehensive Income for the year ended 31 March 2013

	Notes	2013 £	2012 £
<b>Revenue</b>			
Subscriptions	1b	4,227,452	3,900,029
Other operating income	2a	1,221	187
		<u>4,228,673</u>	<u>3,900,216</u>
<b>Expenditure</b>			
Administrative expenses	2c	(1,334,887)	(1,060,912)
Staff costs	2b	(2,927,357)	(2,305,219)
		<u>(33,571)</u>	<u>534,085</u>
Interest (payable)/receivable	3	80,323	23,884
		<u>46,752</u>	<u>557,969</u>
<b>Surplus before taxation</b>			
		<u>46,752</u>	<u>557,969</u>
Taxation	6	(18,665)	(8,777)
		<u>28,087</u>	<u>549,192</u>
<b>Other comprehensive income</b>			
Net actuarial gain/(loss) on pension fund	12	538,000	(860,000)
		<u>566,087</u>	<u>(310,808)</u>
<b>Surplus/(deficit) for the year</b>			
		<u>566,087</u>	<u>(310,808)</u>

All operations are classified as continuing.

There is no difference between the surplus before taxation and the retained surplus for the year stated above and their historical cost equivalents.

The notes on pages 19 to 32 form part of these financial statements.

## Statement of Financial Position at 31 March 2013

	Notes	2013 £	2012 £
<b>Non-current assets</b>			
Intangible assets	7	241,101	85,737
Property, plant and equipment	8	294,714	232,186
		<u>535,815</u>	<u>317,923</u>
<b>Current assets</b>			
Trade receivables and other current assets	9	2,802,997	2,882,835
Cash and cash equivalents	10	4,167,661	2,886,908
Investments	10	-	1,393,000
		<u>6,970,658</u>	<u>7,162,743</u>
<b>Total current assets</b>		<u>6,970,658</u>	<u>7,162,743</u>
<b>Total assets</b>		<u>7,506,473</u>	<u>7,480,666</u>
<b>Current liabilities</b>			
Trade payables and other current liabilities	11	4,619,478	4,525,646
Current tax liabilities		18,668	8,780
		<u>4,638,146</u>	<u>4,534,426</u>
<b>Total current liabilities</b>		<u>4,638,146</u>	<u>4,534,426</u>
<b>Total assets less current liabilities</b>		<u>2,868,327</u>	<u>2,946,240</u>
<b>Non-current liabilities</b>			
Net pension deficit	12	2,156,000	2,800,000
		<u>2,156,000</u>	<u>2,800,000</u>
<b>Total non-current liabilities</b>		<u>2,156,000</u>	<u>2,800,000</u>
<b>Assets less liabilities</b>		<u>712,327</u>	<u>146,240</u>
<b>Reserves</b>			
General fund reserve		210,082	(399,541)
Pension fund reserve		502,245	545,781
		<u>712,327</u>	<u>146,240</u>
<b>Accumulated reserves</b>		<u>712,327</u>	<u>146,240</u>

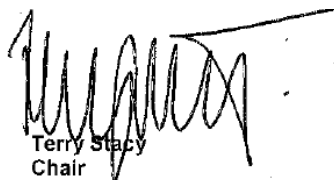
The financial statements were approved by the Board of Directors and authorised for issue on July 2013 and signed on its behalf by:



Dr Mike Biles  
Accounting Officer

Company number: 03290221

Date 28 June 2013



Terry Stacy  
Chair

Date

28 June 2013

The notes on pages 19 to 32 form part of these financial statements.

## Statement of Cash Flows for the year ended 31 March 2013

	Notes	2013 £	2012 £
<b>Cash flows from operating activities</b>			
Surplus from operations		(33,571)	534,085
Depreciation and amortisation charges		114,270	103,925
Loss on sale property, plant and equipment		74,989	641
Pension scheme service cost		521,000	270,000
Pension scheme contributions		(640,000)	(320,000)
Increase/(Decrease) in receivables		79,839	(507,527)
Increase in payables		93,832	276,880
Cash generated from operations		<u>210,359</u>	<u>358,004</u>
Corporation tax paid		(8,777)	(6,122)
<b>Net cash inflow from operating activities</b>		<u>201,582</u>	<u>351,882</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7,8	(407,151)	(32,757)
Bank and other interest receivable	3	93,323	43,884
Investments	10	1,393,000	(1,153,000)
<b>Net cash inflow/ (outflow) from investing activities</b>		<u>1,079,172</u>	<u>(1,141,873)</u>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<u>1,280,754</u>	<u>(789,991)</u>

## Reconciliation of net cash flow to movement in net funds For the year ended 31 March 2013

		2013 £	2012 £
Net increase/(decrease) in cash and cash equivalents in the period		1,280,753	(789,991)
Cash and cash equivalents at the beginning of the period		2,886,908	3,676,899
Cash and cash equivalents at the end of the period	10	<u>4,167,661</u>	<u>2,886,908</u>

The notes on pages 19 to 32 form part of these statements.



## Statement of Changes in Reserves for the year ended 31 March 2013

	Notes	General fund £	Pension fund £	Total £
Balance as at 1 April 2011		64,729	392,319	457,048
Surplus for the financial year		(310,808)	-	(310,808)
Transfer to pension fund reserve		(153,462)	153,462	-
<b>Balance as at 31 March 2012</b>		<b>(399,541)</b>	<b>545,781</b>	<b>146,240</b>
Surplus for the financial year		566,087	-	566,087
Transfer to Pension Fund Reserve		43,536	(43,536)	-
<b>Balance as at 31 March 2013</b>		<b>210,082</b>	<b>502,245</b>	<b>712,327</b>

In 2009 the company created a dedicated reserve in regard to its pension fund liabilities by transferring funds from its general fund in relation to its pension deficit funding strategy. The purpose of the Pension Reserve Fund is to enable the organisation to meet future increases in the employer's contributions to the City of Westminster Pension Fund, so as not to adversely affect future year's subscriptions rates for member landlords.

The notes on pages 19 to 32 form part of these financial statements.

## Notes to the financial statements

### For the year ended 31 March 2013

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#### 1. Accounting policies

##### a) Basis of accounting

The financial statements are prepared in accordance with the Government Financial Reporting Manual (FRM) where this exceeds and does not conflict with the requirements of the Companies Act 2006. The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and the additional disclosure requirements set out in schedules 1 and 2 of the Accounts Direction issued by the Department for Communities and Local Government. The accounting policies are set out below and have been consistently applied. Management are not aware of any Standard or Interpretation in issue but not yet effective that would materially impact upon the financial statements.

##### Going concern

Although IHOL does have an accumulated pension liability at the year end the directors do not consider this to affect the organisations going concern status going forward. This is due to the technical accounting adjustments required by IAS19 relating to its pension fund liabilities, that do not fall due in the short term, having the effect of distorting the financial position at the year end. As from 2 April 2013 the assets and liabilities of IHOL transferred to the Housing Ombudsman as a Corporation Sole. A guarantee/side agreement was reached between DCLG, Westminster LGPS and the Corporation Sole in regard to pension's liabilities in the future. Changes in pension fund liabilities are liable to fluctuation year on year, dependent on economic circumstances and investment performance. In the event that the sponsor department (DCLG) introduced legislation which effectively caused IHOL to be wound up, or if the Scheme's approval were to be withdrawn and another body approved under the Housing Act 1996, the sponsor department shall put in place arrangements to ensure the orderly winding up of IHOL. In particular, it would ensure that the assets and liabilities of IHOL are formally transferred to any successor organisation and accounted for in accordance with Managing Public Money requirements. In the event there is no successor organisation, the assets and liabilities would be transferred to the sponsor department. As an admitted body to the City of Westminster Pension Fund, IHOL and as from April 2013 the Corporation Sole are jointly liable for any liabilities other members incur, as they are in regard to the Corporation Sole. This provides further assurance in regard to such liabilities and supports a going concern status. Therefore the directors are of an opinion the accounts should be prepared on a going concern basis.

Therefore although the company will not be a going concern until it is wound up after its transfer of staff, assets and liabilities to the corporation sole, the entity will be a going concern in the form of the corporation sole.

##### b) Subscriptions

Subscriptions are the annual subscriptions payable by landlord members of the Ombudsman Scheme for the year ended 31 March 2013. Subscriptions are calculated by reference to the number of units owned or managed by member landlords, excluding those units managed on behalf of a local authority. All subscriptions are payable on receipt of an IHOL invoice. Any subscriptions invoiced in advance of the year to which they relate are treated as deferred income and are included in Trade Payables and other Current Liabilities.

##### c) Property, Plant and Equipment

IHOL invests in enhancements to its rented property which are capitalised as building improvements and valued at depreciated historical cost. Management consider that, in the absence of a readily obtainable market for such items, due to the fact that these assets cannot be marketed separately from the building, this provides a suitable approximation for fair value.

Non property assets are considered to be of sufficiently low value and short useful life for the adoption of depreciated historical cost basis as a proxy for fair value.

Property, plant and equipment are disclosed at cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment evenly on a monthly basis at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

During 2010-11 the useful economic life of computer equipment was extended from 4 years to 5 years and office equipment from 5 years to 10 years following a revaluation exercise.

New leasehold improvements made during the year are being depreciated over 3.5 years, the period remaining on the lease.

Leasehold improvements (fixtures and fittings)	- Period of lease
Computer equipment	- 5 years
Office equipment	- 10 years

## Notes to the financial statements

### For the year ended 31 March 2013

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- d) **Intangible assets**  
Intangible assets comprise computer software and website development and are stated at cost. Amortisation is charged on a straight line basis over the estimated useful economic life of the software (five years) and website (three years). The impairment of intangible assets is considered annually, or whenever events or changes occur. The valuation policy for intangible assets is to use amortised cost as a proxy for fair value as all assets are short life and low value.
- e) **Cash and cash equivalents**  
Cash and cash equivalents comprise cash in hand, balances with banks, and short term deposits in money market instruments. These are liquid investments that are readily convertible to known amounts of cash.  
  
IHOL also makes longer term investments, typically held for between 6 and 12 months, and these are reported separately.
- f) **Pension costs**  
The Company participates in a multi-employer funded defined benefit scheme. Prior to 2008 the Company was unable to identify its share of the underlying assets of the pension scheme, as it participated in the scheme with other organisations. The Company remains exposed to risk by being jointly liable for the liabilities of other bodies admitted to the pension scheme. The Company is exposed to actuarial risks associated with their current and former employees' membership of the fund. The actuary has been able to perform a notional allocation of the Company's share of the Fund and therefore has performed an actuarial valuation at 31 March 2012 using IAS19 principles.  
  
The effect of this accounting policy is to recognise the pension scheme deficit in the balance sheet. Current service costs, past service costs, gains and losses on settlements and curtailments, interest and the expected return on pension scheme assets are charged to the income statement. Actuarial gains and losses are charged to the statement of changes in reserves.  
  
As detailed in note 12, pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis and discounted at a rate equivalent to the current rate of return of a high quality corporate bond of equivalent currency and term of the scheme liabilities.
- g) **Operating lease**  
Rental payable under operating leases are charged in the income statement on a straight-line basis over the lease term. Any rent free period is amortised evenly over the period of the lease.

## Notes to the financial statements

### For the year ended 31 March 2013

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h) **Changes in accounting policy**

IHOL has considered, in accordance with IAS 8, whether there have been any changes to accounting policies arising from IFRS and the FReM which have an impact on the current or prior period, or may have an effect on future periods. IHOL has also reviewed any new or amended standards issued by the IASB but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRS's that are or will be applicable.

**The following changes in accounting policy have been applied by IHOL for the first time in the current period:**

None.

**Accounting standards issued but not yet effective:**

Revision to IAS 19

The amount recognised in the statement of comprehensive income (if the revised IAS 19 standard was adopted) are:

	<b>2013</b>
	<b>£000's</b>
Service cost	<b>521</b>
Net interest on the defined liability (asset)	<b>121</b>
Administration expenses	<b>5</b>
<b>Total</b>	<b>647</b>
<b>Actual return on Scheme assets</b>	<b>1,221</b>

i) **Provisions**

There were no provisions in 2012-13.

**Notes to the financial statements**  
**For the year ended 31 March 2013**

2a. **Other operating income**

	<b>2013</b>	2012
	£	£
Sundry income	<b>1,221</b>	187
	<b>1,221</b>	187

2b. **Staff costs**

	Permanent staff	Temporary staff	<b>2013</b>	2012
			Total	Total
			£	£
Wages and salaries	1,924,786	84,347	<b>2,009,133</b>	1,836,742
Social security costs	186,025	-	<b>186,025</b>	172,212
Pension service costs	327,442	-	<b>327,442</b>	261,973
Additional pension payment	200,000	-	<b>200,000</b>	-
Compromise agreements	-	-	-	34,292
Redundancy costs	204,757	-	<b>204,757</b>	-
	<b>2,843,010</b>	<b>84,347</b>	<b>2,927,357</b>	2,305,219

Redundancy costs comprised payments to 3 members of staff. Redundancies made due to restructuring ahead of the change to a corporation sole.

Additional pension payment made to City of Westminster to reduce pension liability.

The average number of employees (excluding directors) but including part-time employees and secondees during the year was 44 (2012: 39), engaged in the following duties:

	<b>2013</b>	2012
	No.	No.
Ombudsman	<b>1</b>	1
Caseworkers	<b>28</b>	26
Stakeholder management	<b>2</b>	2
Support staff	<b>11</b>	8
Temporary staff	<b>2</b>	2
	<b>44</b>	39

2c. **Administrative expenses**

	<b>2013</b>	2012
	£	£
Accommodation	<b>428,403</b>	390,622
Training and recruitment	<b>196,447</b>	142,144
Depreciation and amortization	<b>114,270</b>	103,925
Office running costs	<b>128,770</b>	90,649
Consultancy	<b>108,363</b>	81,242
Information technology	<b>98,207</b>	80,459
Publicity and promotion	<b>29,585</b>	43,898
Board remuneration	<b>34,019</b>	38,892
Travel and subsistence	<b>19,186</b>	18,787
NAO audit fees	<b>22,500</b>	17,500
Other fees	<b>40,191</b>	17,361
DCLG audit fees	<b>14,242</b>	11,759
Professional subscriptions and welfare	<b>4,846</b>	9,460
External dispute resolution	<b>11,311</b>	8,441
Health scheme	<b>9,557</b>	5,132
Loss on disposal of assets	<b>74,989</b>	641
	<b>1,334,887</b>	1,060,912

**Notes to the financial statements**  
**For the year ended 31 March 2013**

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3 **Interest receivable/ (payable)**

	2013 £	2012 £
Bank and other interest receivable	93,323	43,884
Expected return on pension scheme assets	355,000	330,000
Interest on pension scheme assets	(368,000)	(350,000)
	<u>80,323</u>	<u>23,884</u>

Interest income includes £6,464 received from short term deposits, placed using funds from the pension reserve fund.

4. **Operating surplus**

	2013 £	2012 £
This is stated after charging:		
Auditor's remuneration - audit services	22,500	17,500
- non audit services	-	-
Depreciation and amortisation	114,270	103,925
Operating lease payments – property, plant and equipment	254,205	267,190
Loss on disposal of property, plant and equipment	74,989	641
	<u>465,964</u>	<u>389,256</u>

5. **Statement of losses and special payments during the year**

In the opinion of the directors there were no losses or special payments that require disclosure in the financial statements.

6. **Taxation**

The company, with certain provisos, is only subject to tax on its interest received.

The tax assessed for the period is the standard rate of corporation tax in the United Kingdom 20% (2012:20%).

	2013 £	2012 £
Interest received before corporation tax	93,323	43,884
Tax on interest received	18,665	8,777

**Notes to the financial statements**  
**For the year ended 31 March 2013**

7. **Intangible assets**

	<b>Computer Software £</b>
<b>Cost</b>	
As at 1 April 2011	214,578
Additions	17,932
Disposals	-
<b>As at 31 March 2012</b>	<b>232,510</b>
<b>Amortisation</b>	
As at 1 April 2011	108,572
Charge for the year	38,201
Disposals	-
<b>As at 31 March 2012</b>	<b>146,773</b>
<b>Net book value:</b>	
<b>As at 31 March 2012</b>	<b>85,737</b>

	<b>Computer Software £</b>	<b>Website £</b>	<b>Total £</b>
<b>Cost</b>			
As at 1 April 2012	232,510	-	232,510
Additions	111,456	88,200	199,656
Disposals	(42,960)	-	(42,960)
<b>As at 31 March 2013</b>	<b>301,006</b>	<b>88,200</b>	<b>389,206</b>
<b>Amortisation</b>			
As at 1 April 2012	146,773	-	146,773
Charge for the year	41,841	2,450	44,291
Disposals	(42,960)	-	(42,690)
<b>As at 31 March 2013</b>	<b>145,654</b>	<b>2,450</b>	<b>148,104</b>
<b>Net book value:</b>			
<b>As at 31 March 2013</b>	<b>155,351</b>	<b>85,750</b>	<b>241,101</b>

**Notes to the financial statements**  
**For the year ended 31 March 2013**

8. **Property, Plant and Equipment**

	<b>Leasehold Improvements Fixtures and Fittings £</b>	<b>Information Technology £</b>	<b>Office Equipment £</b>	<b>Total £</b>
<b>Cost</b>				
As at 1 April 2011	328,013	139,623	56,133	523,769
Additions	-	14,825	-	14,825
Disposals	-	(1,165)	-	(1,165)
<b>As at 31 March 2012</b>	<b>328,013</b>	<b>153,283</b>	<b>56,133</b>	<b>537,429</b>
<b>Depreciation</b>				
As at 1 April 2011	140,731	58,918	40,394	240,043
Charge for the year	32,801	28,788	4,135	65,724
Disposals	-	(524)	-	(524)
<b>As at 31 March 2012</b>	<b>173,532</b>	<b>87,182</b>	<b>44,530</b>	<b>305,244</b>
<b>Net book value:</b>				
<b>As at 31 March 2012</b>	<b>154,481</b>	<b>66,101</b>	<b>11,603</b>	<b>232,185</b>

	<b>Leasehold Improvements Fixtures and Fittings £</b>	<b>Information Technology £</b>	<b>Office Equipment £</b>	<b>Total £</b>
<b>Cost</b>				
As at 1 April 2012	328,013	153,283	56,133	537,429
Additions	120,811	48,512	38,172	207,496
Disposals	(192,112)	(43,169)	(32,686)	(267,968)
<b>As at 31 March 2013</b>	<b>256,712</b>	<b>158,627</b>	<b>61,619</b>	<b>476,957</b>
<b>Depreciation</b>				
As at 1 April 2012	173,532	87,182	44,530	305,244
Charge for the year	40,304	25,584	4,090	69,978
Disposals	(120,931)	(43,169)	(28,878)	(192,978)
<b>As at 31 March 2013</b>	<b>92,906</b>	<b>69,597</b>	<b>19,741</b>	<b>182,244</b>
<b>Net book value:</b>				
<b>As at 31 March 2013</b>	<b>163,806</b>	<b>89,030</b>	<b>41,878</b>	<b>294,714</b>



## Notes to the financial statements

### For the year ended 31 March 2013

9. Trade receivables and other current assets	2013 £	2012 £
Subscriptions	2,604,876	2,719,639
Staff loans: season tickets	19,991	17,616
Prepayments	142,648	132,540
Other receivables	35,482	13,040
	<u>2,802,997</u>	<u>2,882,835</u>

The directors consider that the carrying value of these assets is equivalent to their fair value.

10. Cash and cash equivalents	2013 £	2012 £
Cash on hand and balances with bank	2,317,661	882,697
Short term deposits	1,850,000	2,004,211
	<u>4,167,661</u>	<u>2,886,908</u>
Investments	-	1,393,000
	<u>4,167,661</u>	<u>4,279,908</u>

11. Trade payables and other current liabilities	2013 £	2012 £
Subscriptions in advance	4,264,323	4,225,471
Trade payables	75,809	42,195
Pension costs	-	34,716
Accruals	279,346	223,264
	<u>4,619,478</u>	<u>4,525,646</u>

A balance of £3,461 relating to DCLG is included in the accruals amount.

#### 12. Pension

The Company is an Admitted Body to the City of Westminster Pension Fund; a defined benefit scheme. The Pension Fund is operated under the Local Government Pension Regulations 1997 (as subsequently amended). The Company pays different contribution rates compared to other employers participating in the Fund, reflecting differences in the Company's demographic profile and experience and is exposed to actuarial risks associated with their current and former employees' membership of the Fund. The contributions are determined by an independent, qualified actuary at Barnett Waddingham. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, contributions paid to the fund and benefit payments.

A significant number of changes have been made to the benefits of the fund since the previous valuations. The main changes relate to: reinstatement of the Rule of 85 retirement provisions; changes consistent with the Finance Act 2004 e.g. an option to surrender pension for lump sum payments with the introduction of a new scheme from 1 April 2008 and the introduction of tiered employee contribution rates.

The actuarial valuation of the Fund at 31 March 2013 for IAS19 purposes calculated the accumulated net liability of the fund relating to IHOL to be £2,156,000 (2012: £2,800,000).

## Notes to the financial statements

### For the year ended 31 March 2013

#### 12. Pension (continued)

For Admitted Bodies the funding target is 6.25% for members in active service and 4.75% otherwise. The value placed on the Fund's assets as a whole was £670.4M representing 73.8% of the funding target required to cover the liability for benefits under the valuation method used.

Following the 2010 actuarial review the actuary recommended that the Company's contribution rate of pensionable salaries increases as follows:

Year Ended 31 March	Contribution Rate %
2012	22.5%
2013	22.5%
2014	22.5%

Under the new scheme which came into effect on 1 April 2008 employee contribution rates changed from 6% of pensionable salaries to a rate ranging from 5.5% to 7.5% depending on salary. The Actuary has advised the Company that its additional contributions in previous years have been taken into account when determining the Company's share of the assets at the valuation date.

The main reason behind the increase in IHOL's liability to the pension fund is due to a significant fall in the market value of fund investments and increases in actuarial losses on the assessment by the actuaries of scheme liabilities. Results under the IAS19 reporting standard can change dramatically depending on market conditions. The liabilities are linked to yields on AA rated corporate bonds whereas the majority of the assets of the Fund are invested in equities. This will lead to volatility in the net pension asset on the Statement of Financial Position and the actuarial gains or losses in the Statement of Changes in Reserves.

The choice of assumptions is the responsibility of the Directors following advice from the actuary. The assumptions chosen are the best estimates from a range of possible actuarial assumptions which may not necessarily be borne out in practice.

#### The principal assumptions used by the actuary were:

	At 31.03.13	At 31.03.12	At 31.03.11	At 31.03.10
	%	%	%	%
RPI Inflation	3.4%	3.6	3.7	3.9
CPI Inflation	2.6%	2.6	2.8	-
Rate of increase in salaries	4.8%	5.1	5.2	5.4
Rate of increase of pensions in payment/deferred pensions	2.6%	2.6	2.8	3.9
Discount rate	4.7%	5.8	5.4	5.5
Post retirement mortality (future lifetime years, retirement age 65)				
- Males (PNMA00)	22.5 to 24.3	22.4 to 24.2	22.2 to 24.1	22.3 to 24.7
- Females (PNFA00)	24.6 to 26.6	24.5 to 26.5	24.4 to 26.4	24.3 to 26.5

The rate of increase in salaries is based on salaries rising at an average of RPI + 1.5% over the long term, notwithstanding the short term pay restrictions which apply to IHOL as an NDPB. The directors consider this to be reasonable.

#### The company's notional share of the assets in the scheme and the expected rate of return together with the net funding position were:

	Value at 31.03.13	Value at 31.03.12
	£'000	£'000
Equities	4,400	3,434
Property	248	227
Government Bonds	372	285
Corporate Bonds	930	667
Cash	248	217
Other	-	-
<b>Total assets</b>	<b>6,198</b>	<b>4,830</b>
<b>Estimated liabilities</b>	<b>(8,354)</b>	<b>(7,630)</b>
<b>Net pension deficit</b>	<b>(2,156)</b>	<b>(2,800)</b>

The average expected rate of return on assets for 2013 was 6.9% (2012: 6.9%).

## Notes to the financial statements

### For the year ended 31 March 2013

#### 12. Pension (continued)

Independent Housing Ombudsman Limited employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2012.

##### a) Analysis of amounts charged to the operating surplus

	2013 £'000	2012 £'000
Current service cost	365	270
Past service cost	-	-
<b>Total</b>	<b>365</b>	<b>270</b>

##### b) Analysis of net finance charges on pension scheme

	2013 £'000	2012 £'000
Expected return on pension scheme assets	355	330
Interest on pension scheme liabilities	(368)	(350)
<b>Net charge included in note 3a</b>	<b>(13)</b>	<b>(20)</b>

##### c) Analysis of amount recognised in other comprehensive income

	2013 £'000	2012 £'000
Actual return less expected return of fund assets	382	(230)
Experience gains and losses on liabilities	-	(20)
Changes in assumptions	156	(610)
<b>Actuarial (loss) gain recognised</b>	<b>538</b>	<b>(860)</b>

##### d) Changes in the present value of liabilities during the period

	2013 £'000	2012 £'000
Opening present value of liabilities	(7,630)	(6,340)
Current service cost	(365)	(270)
Interest cost	(368)	(350)
Contributions by participants	(111)	(100)
Actuarial losses (gains) based on actuarial assumptions	156	(630)
Losses (gains) on curtailments	(156)	-
Past service	-	-
Benefits paid	120	60
<b>Closing present value of liabilities</b>	<b>(8,354)</b>	<b>(7,630)</b>

**Notes to the financial statements**  
**For the year ended 31 March 2013**

12. **Pension (continued)**

e) **Changes in the fair value of scheme assets during the accounting period**

	<b>2013</b> <b>£'000</b>	2012 £'000
Opening fair value of scheme assets	4,830	4,370
Expected return	355	330
Actuarial gain (loss)	382	(230)
Employer contributions	640	320
Employee contributions	111	100
Benefits paid	(120)	(60)
<b>Closing present value of scheme assets</b>	<b>6,198</b>	<b>4,830</b>

f) **Movements in deficit during the year**

	<b>2013</b> <b>£'000</b>	2012 £'000
Deficit in scheme at beginning of the year	(2,800)	(1,970)
Movement in year:		
Current / past service cost	(365)	(270)
Contributions	640	320
Net finance cost	(13)	(20)
Settlements and Curtailments	(156)	-
Actuarial gain (loss)	538	(860)
<b>Closing present value of scheme liabilities</b>	<b>(2,156)</b>	<b>(2,800)</b>

On best estimates the Director's expect to pay in employees and employers superannuation contributions to the City of Westminster pension fund, as an admitted body, for all staff who are members of the scheme, £485,000 in regard to the year ending 31 March 2014.

Reconciliation of funded status to Statement of Financial Position

	<b>Value as at</b> <b>31/03/13</b> <b>£'000</b>	<b>Value as at</b> <b>31/03/12</b> <b>£'000</b>	<b>Value as at</b> <b>31/03/11</b> <b>£'000</b>	<b>Value as at</b> <b>31/03/10</b> <b>£'000</b>	<b>Value as at</b> <b>31/03/09</b> <b>£'000</b>
Fair value of assets	6,198	4,830	4,370	4,050	2,590
Present value of funded defined benefit obligation	8,354	7,630	6,340	6,440	4,440
Unrecognised actuarial (gain)/loss	-	-	-	-	-
Unrecognised past service cost	-	-	-	-	-
Asset/(liability) recognised on the balance sheet	(2,156)	(2,800)	(1,970)	(2,390)	(1,850)

Since pensions assets and liabilities have been included in the financial statements, whilst there have been significant increases and decreases year by year, the overall increase in liabilities over five years is 16%.

## Notes to the financial statements

### For the year ended 31 March 2013

#### 12. Pension (continued)

##### History of experience gains and losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Difference between expected and actual return on assets	382	(230)	(270)	1,010	(1,130)
% of assets	6.2%	(4.8%)	(6%)	25%	(44%)
Experience gains and (losses) on scheme liabilities	(13)	(20)	(210)	30	0
% of present value of the liabilities	(0.2%)	(0.3%)	(3.3%)	0.5%	0%
Changes in assumptions	156	(610)	180	(1,490)	(290)
% of present value of the liabilities	1.9%	8%	2.8%	(23%)	(7%)
Total amount recognised in statement of changes in reserves	538	(860)	(300)	(450)	(1,420)
% of present value of liabilities	6.4%	11.3%	(4.7%)	(7%)	(31.2%)

##### Sensitivity Analysis

	£'000	£'000	£'000
Adjustment to discount rate	0.1%	0.0%	-0.1%
Present Value of Total Obligation	8,130	8,354	8,586
Projected Service Cost	337	351	365
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	8,061	8,354	8,651
Projected Service Cost	335	351	367

#### 13. Members' liability

As a company limited by guarantee the company does not have share capital. In the event of the winding up or dissolution of the company the members are liable to contribute an amount not exceeding £1 towards the debts and liabilities of the company. At 31 March 2013 the company had 6 members (2012: 7).

#### 14. Operating leases

At the Statement of Financial Position date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which are due for payment over the following years:

##### Property

	2013 £	2012 £
Total rentals payable on leases expiring		
Within one year	268,120	268,120
Within two to five years	618,840	886,960
After five years	-	-
	<u>886,960</u>	<u>1,155,080</u>

## Notes to the financial statements For the year ended 31 March 2013

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### 15. Related Parties

There were no transactions, arrangements, relationships or contracts with Board members. Board members do receive reimbursement for holding office and the cost of expenses incurred in the performance of their duties other than payment of fees for services of a non executive director as disclosed in the remuneration report. The income received by IHOL from member landlords of the scheme relates to annual subscription due to IHOL.

IHOL's transactions with related parties are detailed below.

	Expenditure	Income
Circle Anglia (Terry Stacy)		£96,432
London and Quadrant (Frank Chersky)		£93,483
London Councils (Terry Stacy)	£1,950	
National Housing Federation (Terry Stacy)	£454	
New Horizon Youth Centre (Nick Hardwick)	£12,579	
One Housing Group (Terry Stacy)		£14,083
Swan Housing Group (Peter Robinson)		£12,463
Villages Community Housing Association (Andrew Greenhill)		£243
Villages Housing Association (Andrew Greenhill)		£3,863

All income relates to annual subscriptions due as members of the scheme. Expenditure relate to services provided to IHOL in undertaking the work required to meet the requirements of the business plan and the scheme. Please refer to biographies of directors on pages 3 to 5 in regard to relationship to related party.

### 16. Events after the reporting period

None.

The financial statements were authorised for issue on 2 July 2013.

## Notes to the financial statements

### For the year ended 31 March 2013

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#### 17. Financial Instruments

The Company uses various financial instruments which include cash, trade and other receivables and trade and other payables that arise directly from its activities. The main purpose of these financial instruments is to raise finance for the Company's activities and manage its working capital requirements.

The existence of these financial instruments exposes the Company to a number of financial risks namely, credit risk, liquidity risk and market risk. The Directors have reviewed and agreed policies for managing each of these risks to ensure that exposure is to an acceptable level. These policies have remained unchanged from previous years.

##### **Credit Risk**

The Company's exposure to credit risk is limited to the carrying amount of financial asset recognised at the balance sheet date. The risk on cash balances and deposits is managed in a risk averse manner, being held with UK clearing banks with high credit ratings assigned by international agencies.

The Directors consider that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. The trade credit risk is mainly attributable to subscription income. There is no concentration of risk in this area, as income is diversified over a large number of subscribing members.

##### **Liquidity risk**

IHOL's business model, with subscription fees falling due annually on April 1st results in working capital requirements being fully funded in advance. This results in a high proportion of the company's asset base being cash on deposit. These deposits are actively managed to ensure that working capital requirements are met at all times. Non-current liabilities, such as future property lease commitments and the future funding of the pension deficit are dependent on future subscription income as the company does not maintain substantial reserves.

##### **Market risk**

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk. UK interest rates may be liable to fluctuation. To maintain healthy investment revenue the company actively seeks advantageous rate of return on bank treasury deposits.

Income and expenditure relating to company's activities are largely sterling dominated and hence exposure to exchange rate volatility is minimal.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

#### 18. Pension Fund Reserve

The Pension Fund Reserve was established in 2008-09 to meet future increased employer's contributions to the City of Westminster pension fund in part or in full, to be decided by the Board at a future date.



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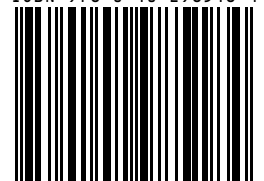
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